

## **Paul A Acquah: The emerging Ghanaian banking environment**

Address by Dr Paul A Acquah, Governor of the Bank of Ghana, at the official opening of Guaranty Trust Bank Ghana Ltd. and commissioning of its head office building, Accra, 26 June 2006.

\* \* \*

Mr. Chairman,  
His Excellency the President of the Republic of Ghana,  
Honorable Ministers of State,  
Directors of Guaranty Trust Bank,  
Distinguished Executives of the Banking Industry,  
Invited Guests,  
Ladies and Gentlemen,

Thank you very much for the invitation to be a part of this event. I feel greatly honoured for the opportunity to make a few remarks on the occasion of both the official opening of the Guaranty Trust Bank Ghana Ltd. and the commissioning of its head office building in these plush surroundings.

Let me begin by congratulating you on making a successful entry into the Ghanaian banking market. This splendid custom-built head office which is your own investment rather than a leased one is the first visible evidence of your long term commitment to operations in the banking industry. I trust that with this commitment, the targets and objectives embedded in your business plan will be achieved.

Having said that, Mr. Chairman, let me hasten to add that it would take more than brick and mortar to succeed in the emerging Ghanaian banking environment. GT Bank is commencing business at a time that the Ghanaian economy has gone through a significant transformation. The deepening of macroeconomic stability and the rising GDP growth over the past few years means that banks must position themselves in an increasingly competitive market in which innovation, efficiency and cost-containment have become important for success. This also defines the critical role that banks must play to catalyze the growth process.

In the last few years our banking sector has grown stronger as banks have been re-capitalizing, re-tooling and re-strategizing to fit into the evolving environment. We have sought to engender healthy competition among banks by admitting new banks such as yours into the system, while encouraging existing banks to beef up their capital and adopt universal banking. The result is an evolving competitive banking sector that has witnessed continuing growth in banking sector assets, liabilities and incomes. While in the last few years we have observed rising cost to income ratios, profitability ratios remain high in comparison with Sub-Saharan averages. Therefore there still remains substantial scope for banks to make a good return for shareholders and even more room for reductions in charges and interest rates given prevailing interest rate spreads.

Mr. Chairman, I believe that there are a number of critical factors that have to underpin banking operations for success in this market: the provision of better quality products and services, competitive pricing of these products and services, operational efficiency and enhanced access by customers to products and services that meet their needs. And there is need to satisfy the growing needs of the market without compromising standards.

I should note that GT Bank Ghana Ltd is a subsidiary of GT Bank plc, a relatively young bank on the Nigerian banking scene, yet with a very strong pedigree. In its fifteen or so years of operation, GT Bank plc has made significant impact on the Nigerian banking scene; including winning several awards and being the subject of business school case studies. It also recorded a strong rating (AA-) from Fitch Ratings in 2005 and enjoys strong support from the IFC (capital investment) and FMO of the Netherlands (credit lines). This is an indication that GT Bank has over these years developed strong banking ethics and culture which it brings to bear on its operations as GT Bank in Ghana. It is in line with our policy of developing a domestic banking industry with a rich blend of internationally diversified financial cultures and best banking practices. And as regulators, we cannot ask for any less as we develop a competitive financial system that is efficiently integrated into the global economy.

One of the challenges that confront many developing countries such as ours is how to increase the access of small and micro enterprises to financial services. It is important that your bank and other banks begin to give this sector a focus and provide services to meet the needs of this relatively neglected sector of the banking market.

Indeed, there is a need for step-change in the banking culture to shift from profit-seeking predominantly on the back of investments in Treasury Bills, and over pricing of loans to a few select customers, and rather move to innovation, cost-effective, competitive pricing of risks and increased lending to the private sector, inclusive of the SMEs.

Mr. Chairman, in this regard, we are addressing an important area of concern which is the lack of a centralized database of credit information, which has been identified as a major factor underlying high probability of loan default. The passage of the Credit Reporting Bill will make it possible for a better evaluation of individual borrowers' credit risk and thereby spur an expansion in consumer and small and micro-business lending.

The role of information and communication technology (ICT) in today's banking is critical and your bank I understand is very much up to date on this. The central bank is supportive of banks' efforts in modernizing their ICT infrastructure but we would like to see a harmonization of these developments. This would ensure inter-operability and thereby maximize the benefits for bank customers.

Thus, while banks can and ought to use ICT platforms to develop competitive advantages, it is important that these platforms carry the capability of harmonization with the systems of other banks. In this regard the central bank has just issued **Guidelines for the Operation of ATMs and Point of Sale Systems**, for the attention of the industry. Salient aspects of the guidelines are the need to use ATM equipment, software and card technology that are in accord with international standards; and installation of platforms interoperable with international ATM and EFTPOS networks operated by companies of international repute.

Mr. Chairman, the theme for this event is 'The Role of banks in the Integration of the Sub-region' and let me make a short remark on that theme. Surely, the benefits of economic integration are well documented and governments in the sub-region, especially the WAMZ countries, have committed to achieving this goal.

The banking and financial sector can spur this process by establishing the appropriate linkages with the institutions, markets and enterprises that operate in the sub-region. Intra-regional trade can be facilitated by banks by devising the appropriate payment instruments and mechanisms. For example, banks could provide a menu of products and services that promote and support trade between Ghanaian companies and their Nigerian and other regional counterparts and in this way promote the ECOWAS objective of economic integration and trade liberalization programme.

Mr. Chairman, while we are looking forward to increased cross-border trade we should also be mindful of the problems that can arise from fraudulent and other malpractices, sometimes with collusion from persons inside the banking system. It is for this reason that we are seeking to implement an Anti-Money laundering regime and enforce a 'Know Your Customer' policy in all banks. The implementation of the AML provisions, together with the Know Your Customer policies will help rid our banking system of abuse and illegal transactions- a universal threat which demands vigilance on the part of all stakeholders. We count on your cooperation in running a transparent, safe and secure banking system consistent with the pedigree of GTBank. I am sure the financial industry and the economy will be the better for it.

On this note Mr. Chairman, I welcome Guaranty Trust Bank and wish them well in their operations in Ghana.

Thank you for your attention.